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Israel Bonds: The FBI File

Documents

Founders of the U.S.-based sales corporation for Israel bonds included the unindicted ringleader of the [Sonneborn network](#) (PDF) of conventional arms smuggling fronts, Rudolph Sonneborn, and the North America financier for Israel's clandestine nuclear weapons program [Abraham Feinberg](#), along with former U.S. Treasury Secretary Henry Morgenthau Jr.. Morgenthau's role in conventional and nuclear smuggling is alleged, but unconfirmed since the FBI has censored nearly every page of his lengthy [FBI file](#).

The FBI kept a close watch on the "American Financial and Development Corporation for Israel" (AFDCI, incorporated in 1950) to determine whether it was acting as an unregistered agent of the Israeli government.

On June 27, 1951, the FBI chartered an investigation to discover "connection between subject corporation and the Government of Israel, the extent to which the corporation is subsidized directly or indirectly by the Government of Israel, and extent to which the Government of Israel in any way exercises control of the



\$500,000,000

STATE OF ISRAEL
Independence Issue

PROSPECTUS

Dated, March 28, 1951

**AMERICAN FINANCIAL AND DEVELOPMENT
CORPORATION FOR ISRAEL
120 BROADWAY, NEW YORK 5, N. Y.**

policies or operations of the corporation."

After one FBI inquiry, the Chief of Foreign Agent Registration at DOJ (who later enforced the registration order against AIPAC's parent, the [American Zionist Council](#)) determined that "Bonds for Israel" was "entitled to 'Commercial Exemption' under the Registration Act for the reason that funds raised by this organization are to be used for economic purposes..." [Nathan] Lenvin "pointed out that Israeli Government representatives and military personnel who tour the U.S. for 'Bonds for Israel' would be required to register with the Justice Dept. if their talks and speeches include any political propaganda. He added that, in his opinion, *it would seem most difficult for these speakers not to interject some political propaganda in their speeches.*"

FBI ordered that confidential informants be developed within the sales network and that public source material be collected to determine whether "'Bonds for Israel' have been engaged in activities requiring their registration under the Registration Act."

On November 13, a 1956 FBI bulletin, copied to NSA and CIA, reported that a secret November 9, 1956 Development Corporation for Israel (successor to AFDCI) meeting took place over concerns that Israeli funds would be frozen over Israel's attack on Egypt.

However, U.S. presidents never used their leverage on ballooning Israeli bond sales across the United States to pressure Israel to comply with international law. Although bond sales have expanded to over a billion dollars a year (2013) as Israel's supporters enact laws to efficiently place them in a wide variety of [state](#) government holdings, the record reveals that the Justice Department has never engaged in a serious review of compliance with the Foreign Agents Registration Act.

[FOIA release letter](#)

File

File Size

Excerpt/Description

[1215763-0-097-CG-210.PDF](#)

277 KB

1952 - Assistant Attorney General James M. McInerney responds to FBI's inquiry whether American Financial and Development Corporation should be subject to the Foreign Agents Registration Act. Justice Department assured that "its ultimate purpose was nonprofit in promoting investment in Israel so as to integrate refugees into the economy of that country..."

DOJ rules "the [FARA] exemption was available only so long as the Corporation did not engage in any political activity as defined by Rule 100 of the Act on behalf of the State of Israel... While no specific investigation is being requested at tis time, the Division would appreciate

receiving any information that may come to the attention of the Bureau indicating that the subject organization is engaged in any political activity within the meaning of rule 100, such as attempting to influence the foreign policy of the United States, endeavoring to procure the enactment or repeal of any legislation affecting the State of Israel, or disseminating any political propaganda on behalf of the State of Israel."

[1215763-0-097-CG-279.PDF](#)

648 KB 1957-1958 After FBI inquiry, the Chief of Registration at DOJ verifies that "Bonds for Israel" is "entitled to 'Commercial Exemption' under the Registration Act for the reason that funds raised by this organization are to be used for economic purposes..." Lenvin "pointed out that Israeli Government representatives and military personnel who tour the U.S. for 'Bonds for Israel' would be required to register with the Justice Dept. if their talks and speeches include any political propaganda. He added that, in his opinion, it would seem most difficult for these speakers not to interject some political propaganda in their speeches." FBI orders that confidential informants be developed and public source material be collected to determine whether "'Bonds for Israel' have been engaged in activities

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3 MB

requiring their registration under the Registration Act."

1951-1958. Article about Israel bonds in "Israel Speaks" newsletter, formerly "Haganah Speaks" run by [Abraham Feinberg](#), subject of a FARA order and FBI investigations.

March 28, 1951 Prospectus for sale of \$500 million bonds.

September 18, 1951 New York Times "20 Frank Answers to Your Questions about State of Israel Bonds"

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7 MB

1951, FBI investigates foreign agent advertising firm Hirshon-Garfield promotion of Israel bond sales.

"For Private Circulation to Officers" report from American Financial and Development Corporation of Americans buying Israel bonds during issue campaign.

Form letter from former Treasury Secretary Henry Morgenthau Jr., Chairman of the Board of Governors of the American Financial and Development Corporation of Israel.

June 27, 1951, FBI charts investigation to discover "connection between subject corporation and the Government of Israel, the extent to which the corporation is subsidized directly or indirectly by the Government of Israel, and extent to which the Government of

Israel in any way exercises control of the policies or operations of the corporation."

FBI obtains the December 21, 1950 Certificate of Incorporation of the American Financial and Development Corporation for Israel from the City of New York. Among the initial stockholders is unindicted smuggler [Rudolph G. Sonneborn](#).

Informant report that Rudolph Sonneborn listed as President of AFDCI. "Will report any information received concerning advertisements issued by subject corporation and will report the opinion of the department of Justice as to prosecution of subject corporation for failure to register under the Registration Act.

October , 1951 recommendation that SEC records of bond issue be reviewed. Letter seeking SEC records. Audit of SEC records.

Investigation of holding company American Committee for Aid to Israel Immigrants.

May 5, 1952 confidential DOJ opinion on AFDCI. "It was the Department's opinion that the organization came within the definition of the term 'agent of a foreign principal' contained in Section 1(c)(2) of the Act, but that the Corporation could

avail itself of the exemption contained in Section 3(d) of the Statute, as engaging in financial activities in furtherance of the bona fide trade and commerce of the State of Israel and in activities to relieve human suffering." "It was pointed out, however, that the exemption was available only so long as the Corporation did not engage in any political activity as defined by Rule 100 on behalf of the State of Israel."

1953, FBI responds to insider reports that AFDCI has been infiltrated by communists. FBI responds to Congressman Cellar call on suspected infiltration. AFDCI "eases out" suspects. FBI closes case "Communist Infiltration of American Financial and Development Corporation of Israel; IS-C"

November 13, 1956 FBI report, copied to NSA and CIA, that a secret November 9, 1956 Development Corporation for Israel meeting took place over concerns that Israeli funds would be frozen over the attack on Egypt.

November 5, 1957 report that Edwin Garfield of the Development Corporation for Israel, was on the Security Index of suspected communists.

April 12, 1956 Special Agent in Charge New York report on

employee headcount
and promotion of
Israel bond sales in
the United States.

April 30, 1956
Notation that
"subject's registration
was not being required
at that time but
pointed out that the
exemption was
available only so long
as the Corporation did
not engage in political
activity...In view of
the current attempts
on the part of Israel to
influence the U.S. to
furnish arms to that
country and inasmuch
as officials from the
State of Israel make
political speeches for
promotion of sale of
bonds of subject it is
recommended that this
case be reopened. It is
felt that this
investigation would be
directed toward
bringing this case up
to date and
ascertaining whether
the acts of Political
Leaders in the US on
behalf of the state of
Israel come within the
meaning of Rule 100."

June 28, 1956 FBI
SAC memo
recommends closing
update.

Reports on Israel
Development
Corporation attempts
to get governors,
judges and members
of congress to speak at
bond drives.

FBI informants try to
obtain IDC internal
papers. indicate
concern over funds
freeze as a U.S.
response to Israeli
invasion of Egypt.

1959 Case file that
Joseph J. Schwartz a
IDC sales

representative may have "a possible association with the Israeli Intelligence Service and the possibility of his having had pro-Communist connections.

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